

AGANANG LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
AS AT 30 JUNE 2010**

Annual Financial Statements

for

AGANANG LOCAL MUNICIPALITY

for the year ended 30 June 2010

Province: Limpopo

AFS rounding: **R (i.e. only cents)**

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AGANANG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2010

General information

Members of the Council

E K Masehela	Mayor
L N Ntsewa	Speaker
R E Bruintjies	Members of the Executive Committee
K E Kgatla	
L W Maboya	
M J Molepo	
M A Segodi	
M D Teffo	
M L Badimo	Members
K E Cholo	
S S Cholo	
M M Dikgale	
J N Galane (Chief Whip)	
K S Kganyago	
M W Kganyago	
A Lediga	
L L Lephala	
M J Mafafu	
M B Malebana	
J P Maleka	
T S Manamela	
M R Maraba	
N E Mashilo	
N K Matome	
R S Melelo	
J K Moabelo	
M M Mokgapa	
M S Mabitsela	
M M Mokobodi	
M J Moropa	
M F Mothiba	
S Ngoepe	
M J Rachipi	
S Ramashala	
R R Teffo	
J P Tsholo	
Kgoshigadi Maraba	
Kgoshigadi Matlala	
Kgoshigadi Mashashane	

Municipal Manager

N R Selepe

Chief Financial Officer

M A Laka

Grading of Local Authority

Grade 2

Auditors

Auditor-General

Bankers

ABSA

AGANANG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 June 2010

General information (continued)

Registered Office: Municipal Offices

Physical address: Cnr Gilleard Rd and Nobel Hospital Rd
Ceres

Postal address: P O Box 990
Juno
0758

Telephone number: 015 295 1400

Fax number: 015 295 1401

E-mail address: admin@aganang.gov.za

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 32, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

if any, and payments made to Councillors for loss of office, if any, as disclosed in note 15 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

N R SELEPE
MUNICIPAL MANAGER

DATE

INDEX

CONTENTS	Page
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF FINANCIAL PERFORMANCE	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASHFLOWS	4
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	5
APPENDICES	
A ANALYSIS OF PROPERTY PLANT AND EQUIPMENT	27
B SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	28
C SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	29
D(1) ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)	30
D(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)	31

AGANANG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

		2010	2009
	Note	R	R
ASSETS			
Current assets			
Cash and cash equivalents	2	8 059 491	3 287 211
Consumer debtors	3	12 701 308	6 747 039
Other receivables	4	3 367 768	3 033 374
Inventories	5	922 637	301 496
Non-current assets			
Property, plant & equipment	6	50 717 363	42 714 700
Total assets		<u>75 768 568</u>	<u>56 083 821</u>
LIABILITIES			
Current liabilities			
Bank overdraft	2		1 480 827
Trade and other payables	7	8 109 923	5 279 842
Unspent conditional grants and receipts	8	8 805 865	3 252 737
Current portion of finance lease obligation	9	297 532	572 829
Non-current liabilities			
Finance lease liability	9	121 684	419 216
Total liabilities		<u>17 335 004</u>	<u>11 005 451</u>
Net Assets			
Accumulated surplus/(deficit)		<u>58 433 564</u>	<u>45 078 370</u>

AGANANG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
REVENUE			
Property rates	10	6 385 268	6 746 598
Rental of facilities and equipment		284 538	274 530
Investment Revenue – external investments	12	827 640	1 418 631
Interest earned – outstanding debtors		-	-
Government grants and subsidies received - operating	11	49 303 637	41 840 790
Government grants and subsidies received - capital	11	13 832 343	13 542 000
Other income	13	606 583	541 137
Total Revenue		71 240 008	64 363 686
EXPENDITURE			
Employee related costs	14	17 780 606	14 788 336
Remuneration of councillors	15	6 441 494	6 129 882
Bad debts		2 648	63 526
Depreciation		4 537 492	3 022 352
Repairs and maintenance		2 686 836	4 252 667
Finance cost		-	-
General expenses	16	26 096 385	25 923 431
Total Expenditure		57 545 461	54 180 194
(Loss) on sale of assets		(346 248)	66 471
Gain on sale of assets		6 895	
Fair value adjustments			66 849
NET SURPLUS/(DEFICIT) FOR THE YEAR		13 355 195	10 316 811

AGANANG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Accumulated Surplus/ (Deficit)	Total
		R
Balance at 30 June 2008	35 019 597	35 019 597
Correction of prior period error		-
Restated balance	35 019 597	35 019 597
Net surplus for the year	10 325 420	10 325 420
Previous years adjustments	(266 648)	(266 648)
Capital grants used to purchase PPE	-	-
Donated/contributed PPE	-	-
Offsetting of depreciation	-	-
Balance at 30 June 2009	45 078 369	45 078 369
Restated balance	45 078 369	45 078 369
Net surplus for the year	13 355 195	13 355 195
Previous years adjustments	-	-
Capital grants used to purchase PPE	-	-
Donated/contributed PPE	-	-
Offsetting of depreciation	-	-
Balance at 30 June 2010	58 433 564	58 433 564

AGANANG LOCAL MUNICIPALITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2010

	2010
	R
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from ratepayers, government and others	63 135 980
Cash paid to suppliers and employees	<u>(44 258 175)</u>
Cash generated from / (utilized in) operations	17 <u>18 877 805</u>
Interest received	827 640
Interest paid	
Net cash from operating activities	<u>19 705 445</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(12 990 979)
Proceeds on disposal of property, plant and equipment	111 470
Net cash used in investing activities	<u>(12 879 509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase/(decrease) of finance lease liabilities	(572 829)
Net cash used in financing activities	<u>(572 829)</u>
Increase/(decrease) in cash and cash equivalents	<u>6 253 107</u>
Cash and cash equivalents at beginning of the year	1 806 384
Cash and cash equivalents at end of the year	<u>8 059 491</u>

AGANANG LOCAL MUNICIPALITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

2009
R
55 490 178
(50 200 583)
5 284 825
1 418 631
-
6 703 456
(16 106 200)
70 801
(16 035 399)
378 096
378 096
(8 953 847)
10 760 232
1 806 384

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

GRAP and GAAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible.

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The accounting policies applied are consistent with those used to present the previous years financial statement, unless explicitly stated.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months.

1.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgements and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgements and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

1.5 RESERVES

1.5.1 Revaluation Reserve

Realised through use

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

(If Realised on disposal)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised on the disposal of the property, plant and equipment. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.6 PROPERTY, PLANT & EQUIPMENT

1.6.1 Initial recognition

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

1.6.2 Subsequent measurement - revaluation model (land and buildings)

Subsequently land and buildings are stated at revalued amounts, being the fair value of the land and buildings at the date of revaluation less subsequent accumulated depreciation and impairment losses in respect of buildings only. All other items of property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Revaluations are performed with sufficient regularity, but at least every three to five years, to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

A decrease in the carrying amount of land and buildings as a result of a revaluation is recognised as an expense unless there is a revaluation surplus in the reserve account. Any amount in excess of the revaluation surplus is recognised as an expense.

1.6.3 Subsequent measurement - cost model

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.6 PROPERTY, PLANT & EQUIPMENT (cont)

1.6.4 Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The

Infrastructure Assets

	Years
Roads, pavements, bridges and storm water	5 -30
Street names, signs, billboards and parking meters	10 -20
Water reservoirs and reticulation	15-20
Electricity reticulation	20-30
Sewerage purification and reticulation	15-20
Refuse sites	15
Security measures	3 -10

Community Assets

Parks and gardens	10-30
Sport fields	20-30
Community halls	30
Libraries	30
Recreation facilities	30
Cemeteries	30
Cattle pound	30

Other Assets

Motor vehicles	5
Plant and equipment	2 -7
IT equipment	3
Office equipment & furniture	3 - 20
Specialised vehicles	10

Finance lease assets

Office equipment	5
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Heritage assets

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

Notwithstanding the GAMAP transitional provisions applicable, the municipality is exempt from complying with the measurement requirements of GRAP 17, per class of assets, within the three years of initially adopting GRAP 17. Accordingly (certain classes of PPE), have not been measured according to GRAP 17.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.7 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Goodwill (negative goodwill) arises on the acquisition of associates and joint ventures.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in the statement of financial performance as incurred.

1.7.1 Licences

Licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

1.7.2 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Years	Years
Licences	3
3	
Computer software	3
3	

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

On initial adoption of the Standard of GRAP on Intangible Assets, any accumulated and retained information about the costs and the future economic benefits or service potential related to intangibles assets that may have been previously expensed are now being recognised in accordance with the standard.

1.8 IMPAIRMENT OF FINANCIAL ASSETS

Impairments of Non-financial assets

Non-Financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

A servitude will only become impaired if the line to which the servitude is linked is derecognised. In practice a derecognised line will be refurbished or replaced by a new line. The likelihood of the impairment of a servitude right is remote.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.8 IMPAIRMENT OF FINANCIAL ASSETS (cont)

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, any cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as non-current assets held for sale when the carrying amount of the asset or disposal group is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before the classification of the asset or disposal group as held for sale, the carrying amount of the assets, or the assets and liabilities in the disposal group, are measured in accordance with applicable GRAP standards. Subsequently the asset or disposal group is measured at the lower of its carrying amount and fair value less cost to sell, with any adjustment recorded in the statement of financial performance.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.10 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment, refer to property, plant and equipment policy 1.6. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

The Municipality as Lessor

Amounts due from lessee under finance leases are recognised in the statement of financial position and presented as a receivable at an amount equal to the net investment in the lease. The difference between the gross receivable and the cost of the asset is recognised as unearned finance income. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income derived from operating leases is recognised on a straight-line basis over the term of the lease in the statement of financial performance. Initial direct costs incurred in negotiating and arranging the operating lease are included in the carrying amount of the leased asset and recognised in the statement of financial performance on a straight-line basis over the lease term.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

1.11 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

1.11 FINANCIAL INSTRUMENTS (cont)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.11.1 Financial assets

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, refer to impairment of assets 1.8 as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy and the investment regulations.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

1.11 FINANCIAL INSTRUMENTS (cont)

1.11.2 Financial liabilities

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

1.12 INVENTORIES

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

The Municipality has taken advantage of the three year transitional provision period in which it has to comply with GRAP 12.

1.13 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.14 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

1.15 EMPLOYEE BENEFITS

1.15.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.15.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.15.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

1.16 REVENUErecognition

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.16.1 Revenue from exchange transactions

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.16.2 Revenue from non-exchange transactions

Fines

Revenue from fines is recognised when payment is received and the revenue from the issuing of spot fines and summonses is recognised when collected together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

1.16 REVENUErecognition (cont)

Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.17 BORROWING COSTS

Borrowing costs directly related to the acquisition or construction of qualifying assets where there is a considerable period of time before such assets are substantially ready for their intended use are added to the cost of those assets for such periods of time. Investment income earned on the temporary investment of specific borrowings prior to being used in the acquisition or construction of such assets is deducted from the borrowing costs eligible to be capitalised.

All other borrowings costs are recognised as an expense in the Statement of Financial Performance.

1.18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 COMPARATIVE INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	200	200
Cash at bank (Trust)	-	6 850
Cash at bank (Primary Account)	2 655 017	3 280 161
Call deposits	5 404 275	
	8 059 491	3 287 211
Bank overdraft	-	1 480 827
The municipality has the following bank accounts:		
Current account (primary bank account)		
Bank: ABSA		
Account number: 40 5283 1966		
Bank statement balance at beginning of year	1 799 047	5 053 776
Bank statement balance at end of year	2 825 134	1 799 047
Cash book balance at beginning of year	(1 480 827)	385 063
Cash book balance at end of year	2 655 017	(1 480 827)
Current account (Aganang child headed families)		
Bank: ABSA		
Account number: 40 6725 5771		
Bank statement balance at beginning of year	6851	7 947
Bank statement balance at end of year	-	6 851
Cash book balance at beginning of year	6851	7 947
Cash book balance at end of year	-	6 850
3. CONSUMER DEBTORS		
Rates	12 701 308	6 747 039
	12 701 308	
Rates: Ageing		
Current (0 – 30 days)	532 002	498 183
31 - 60 Days	531 784	490 867
61 - 90 Days	523 268	490 867
91 Days and above	11 114 254	5 267 122
Total	12 701 308	6 747 039

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

4. OTHER RECEIVABLES		
SARS - VAT input	2 745 112	2 510 449
Rental debtors	13 888	77 144
Capricorn District - free basic water	315 253	191 532
Eskom surety	176 500	176 500
Sundry debtors	111 464	72 979
Interest Accrued on investment	5 551	4 770
Total Other Receivables	3 367 768	3 033 374
	<hr/> <hr/>	<hr/> <hr/>
5. INVENTORIES		
Refreshments	8 186	2 192
Stationery	263 648	181 732
Consumable stores	650 803	117 573
	<hr/> <hr/>	<hr/> <hr/>
	922 637	301 496

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AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

6. PROPERTY, PLANT & EQUIPMENT

	Infrastructure R	Community Assets R	Other Assets R	Total R
Carrying values at 1 July 2009	23 202 876	12 209 698	7 302 126	42 714 700
Cost	25 652 234	13 175 389	13 508 234	52 335 857
Accumulated depreciation – cost	-2 449 358	-965 691	-6 206 108	-9 621 157
30-Jun	-	1 094 739	5 164 492	6 259 231
Acquisitions	6 731 748			6 731 748
Capital under construction				
Fair value adjustment				
Depreciation – based on cost	(1 634 372)	(526 511)	(2 376 609)	(4 537 492)
Carrying value of disposals				
Cost			(1 500 287)	(1 500 287)
Accumulated depreciation			1 049 462	1 049 462
Carrying values at 30 June 2010	28 300 252	12 777 926	9 639 185	50 717 363
Cost	32 383 982	14 270 128	17 172 439	63 826 549
Accumulated depreciation – cost	-4 083 730	-1 492 202	-7 533 255	-13 109 187
Carrying values at 1 July 2008	11 634 826	11 495 720	5 723 853	28 854 399
Cost	13 215 827	12 057 190	10 334 928	35 607 945
Accumulated depreciation – cost	(1 581 001)	(561 470)	(4 611 075)	(6 753 546)
Acquisitions	11 263 408	728 606	3 265 528	15 257 542
Capital under construction	1 172 999	348 966	40 628	1 562 592
Fair value adjustment			66 849	66 849
Depreciation – based on cost	(868 357)	(404 221)	(1 749 774)	(3 022 352)
Carrying value of disposals			(4 330)	(4 330)
Cost			(159 071)	(159 071)
Accumulated depreciation			154 741	154 741
Carrying values at 30 June 2009	23 202 876	12 169 071	7 302 126	42 714 700
Cost	25 652 234	13 134 762	13 508 234	52 335 857
Accumulated depreciation – cost	-2 449 358	-965 691	-6 206 108	-9 621 157

The Municipality has taken advantage of Property, Plant and Equipment transitional provisions of paragraphs .75 and .78 of Directive 4 of February 2008.

The Municipality is in the process of itemising immovable assets and at present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of asset, using global historical costs recorded in the accounting records.

AGANANG LOCAL MUNICIPALITY
NOTES TO ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
7. TRADE AND OTHER PAYABLES		
Trade creditors	3 954 007	2 419 981
Payments received in advance	45 711	50 076
Staff leave	1 172 156	1 092 894
Retention	2 772 421	1 635 373
Unknown Deposits	61 206	62 388
Other (specify)	104 421	19 130
Provision for bonus	16 000	
Cellphones	2 730	
Municipal Gratuity Fund	58 045	
Assessment rates	27 646	
Total Trade and Other Payables	8 109 923	5 279 842

8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

Finance Management Grant	209 274	598 821
Municipal Infrastructure Grant	7 068 023	1 292 366
Municipal Systems Improvement Grant	528 568	361 550
Capricorn District	1 000 000	1 000 000
Total Conditional Grants and Receipts	8 805 865	3 252 737

See note 11 for the reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilised.

17

9. FINANCE LEASE LIABILITY

	Minimum lease payment	Future finance charges	Present value of lease
30 June 2010			
Amounts payable under finance leases			
Within one year	382 328	84 797	297 532
Within two to five years	131 425	9 741	121 684
	513 754	94 538	419 216
Less: Amount due for settlement within 12 months (current portion)			(297 532)
			121 684
30 June 2009			
Amounts payable under finance leases			
Within one year	710 629	-	137 800
Within two to five years	513 754	94 538	419 216
	1 224 383	232 338	992 045
Less: Amount due for settlement within 12 months (current portion)			(572 829)
			419 216

The liability is secured by office equipment under a deemed finance lease with a carrying value of R945 464. The effective interest rate is between 9.33 to 20.71% and is repayable in 36 equal instalments of which the first was paid in December 2007. The last instalment is payable during October 2011.

18

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
10. PROPERTY RATES		
Residential	544 265	859 580
Commercial	56 756	
Government	5 784 248	5 887 017
	<u>6 385 268</u>	<u>6 746 598</u>
VALUATIONS		
		R000's
Residential	608 463 655	
Commercial	24 873 000	
Government	15 811 500	
	<u>649 148 155</u>	

Valuations on land and buildings are performed every four years. A new valuation roll came into effect as from 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

Various rates apply for the different categories which came into effect in the current financial year which is applied to property valuations to determine assessment rates, 0.009c for residential, 2c for commercial and 7c for government. Rebates of 75% are granted to residential, commercial and state property owners.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11. GOVERNMENT SUBSIDIES & GRANTS

Operating Grants

Equitable share
Finance management Grant
Municipal Systems Improvement Grant
Capricorn District Municipality
Other

49 303 637	41 840 790
43 927 117	33 728 700
1 155 414	385 312
391 169	550 263
3 829 937	6 770 937
	405 578

Capital Grants

Municipal Infrastructural Grant
Capricorn District Municipality
DME

13 832 343	13 542 000
7 832 343	11 042 000
2 000 000	
4 000 000	2 500 000

Total Government Grants & Subsidies

63 135 980	55 439 352
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11.1 *Equitable Share*

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

11. GOVERNMENT SUBSIDIES & GRANTS (cont)

11.2 *Finance Management Grant*

Balance unspent at beginning of year
Refunded During the year
Current year receipts
Conditions met – transferred to revenue
Unspent amount transferred to liabilities

598 821	234 133
(234 133)	-
1 000 000	750 000
(1 155 414)	(385 312)
209 274.00	598 821

(see note 8)

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.

11.3 *Municipal Systems Improvement Grant*

Balance unspent at beginning of year
Refunded During the year
Current year receipts
Conditions met – transferred to revenue
Unspent amount transferred to liabilities

361 550	176 813
(176 813)	
735 000	735 000
(391 169)	(550 263)
528 568	361 550

(see note 8)

The purpose of the grant is for institutional systems.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11.4 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1 292 366.00	1 292 366
Current year receipts	13 608 000.00	11 042 000
Conditions met – transferred to revenue	(7 832 343.00)	(11 042 000)
Unspent amount transferred to liabilities	7 068 023.00	1 292 366

(see note 8)

This grant was used for the tarring of roads and two low level bridges. The conditions of the grant were met. Funds were withheld due to under spending of the grant.

11.5 Capricorn District Municipality

Balance unspent at beginning of year	1 000 000	1 000 000
Current year receipts	5 829 937	6 827 500
Conditions met – transferred to revenue	-5 829 937	(6 827 500)
Unspent amount transferred to liabilities	1 000 000	1 000 000

(see note 8)

The grant was utilised for free basic water, for road, water and bus shelter projects as well as for ward committee

11.6 Other

DBSA	-	405 578
Conditions met – transferred to revenue	-	(405 578)
Unspent amount transferred to liabilities	-	-

11.7 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

12. INVESTMENT REVENUE - EXTERNAL INVESTMENTS

Current account	415	407
External investments	827 136	1 418 224
Child Headed Families	88.95	
	827 640	1 418 631

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13. OTHER INCOME

Residential levy	14 588	24 435
Traffic Fees	288 552	-
Skills Development Reimbursement	76 555	-
Sundry	226 888	516 702
Total Other Income	<u>606 583</u>	<u>541 137</u>

14. EMPLOYEE RELATED COSTS

	2010	2009
Employee related cost - Salaries and wages	10 378 421	10 048 115
Employee related cost - Social contributions	2 739 346	2 305 537
Travel, motor car, accomodation & other allowances	4 213 692	1 869 077
Housing benefits and allowances	167 926	361 620
Overtime benefits	281 221	205 988
Leave	-	-
Total Employee Related Costs	<u>17 780 606</u>	<u>14 790 336</u>

There were no advances paid to employees.

Municipal Manager

Annual remuneration	475 687	507 145
Allowances	309 505	156 000
Council Contributions	87 108	88 170
Total Municipal Manager	<u>872 300</u>	<u>751 316</u>

Chief Financial Officer

Annual remuneration	-	312 998
Allowances	-	184 200
Council Contributions	-	79 292

The position of the Chief Financial Officer was vacant for the whole financial year

Remuneration of Individual Managers	Technical	Corporate Services	Economic Develop
	Services	& Plan	& Plan
30 June 2010			
Annual remuneration	265 376	-	372 215
Allowances	137 920	-	143 586
Council Contributions	39 467	-	81 424
Total Individual Managers	<u>442 764</u>	<u>-</u>	<u>597 226</u>

The position of the Corporate Services Manager was vacant for the whole financial year and Technical Services Manager resigned during the year

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14.	Remuneration of Individual Managers	Technical Services	Corporate Services	Economic Develop & Plan
	30 June 2009			
	Annual remuneration	398 972	145 879	368 146
	Allowances	106 200	123 111	106 200
	Council Contributions	54 530	36 408	69 008
		559 702	305 398	543 354

15. REMUNERATION OF COUNCILLORS

	2010	2 009
Mayor	534 592	500 588
Speaker	432 844	404 530
Executive Committee members	1 334 454	1 261 920
Councillors	4 139 605	3 962 844
	6 441 494	6 129 882

The Mayor, Speaker and the Chief Whip are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has use of a Council owned vehicle for official duties.

16. GENERAL EXPENSES

Included in general expenses is the following:-

Accommodation	650 166	621 134
Advertising	264 356	274 452
Audit fees	813 940	936 985
Capacity building	338 351	187 364
Public Participation	371 247	335 157
Events	146 791	695 908
Insurance	162 440	273 198
IT management	163 956	102 730
LED expenses	399 801	510 594
Motor vehicle expenses	575 158	293 641
Professional fees	836 761	1 151 902
Security costs	958 220	499 242
Stores and material	301 797	303 376
Subsistence and travel	620 626	525 726
Telephone	672 441	496 227
Free basic water	1 418 671	1 428 898
Free basic electricity	1 007 064	447 500
Unspent Conditional Grants Refunded	668 054	-
Project expenditure - water, electrification & creches	13 701 414	(43 083)
Other	2 025 131	16 882 590
	26 096 384.65	25 923 541

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17	CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
	Net surplus for the year	13 355 195	9 497 752
	Adjustment for:		
	Prior year adjustments		(958 980)
	Depreciation charges	4 537 492	3 022 352
	Fair value adjustments		(66 849)
	Loss on disposal of assets	339 353	(66 471)
	Interest received	(827 640)	(1 418 631)
	Interest paid		-
	GRAP conversion		
	Non-operating expenditure		
	Operating surplus before working capital changes	17 404 400	10 009 174
	(Increase)/decrease in inventories	(621 141)	(127 291)
	(Increase)/decrease in other receivables	(334 394)	(1 297 084)
	(Increase)/decrease in consumer debtors	(5 954 269)	(5 890 270)
	Increase/(decrease) in conditional grants	5 553 128	549 425
	Increase/(decrease) in trade payables and other payables	2 830 081	2 045 642
	Net cash from operating activities	18 877 805	5 289 595
19.	ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
19.1	Contribution to SALGA		
	Council membership fees payable	128 879	166 334
	Amount paid current year	128 879	(166 334)
	Balance unpaid (included in creditors)	-	-
19.2	Audit Fees		
	Opening balance		45 000
	Current year audit fee	813 940	925 174
	Amount paid current year	(775 824)	(970 174)
	Balance unpaid (included in creditors)	38 115	-
19.3	VAT		
	VAT is payable on the invoice basis. VAT input receivables and VAT output receivable are shown in notes 4. All VAT returns have been submitted by the due date throughout the year.		
19.4	PAYE & UIF		
	Current payroll deductions	3 454 125	1 839 283
	Amount paid current year	(3 454 125)	(1 839 283)
	Balance unpaid	-	-
19.5	Pension and Medical Aid Deductions		
	Current payroll deductions	3 512 033	3 077 377
	Amount paid current year	(3 512 033)	(3 077 377)
	Balance unpaid	-	-
19.6	Skills Development Levy		
	Current payroll deductions	175 500	
	Amount paid current year	(175 500)	
	Balance unpaid	-	-

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20. COMMITMENTS

Commitments in respect of capital and operating expenditure:

Approved and contracted for (Amount not paid/ outstanding)	
Accommodation	8 402
Advertising	13 000
Building	351 108
Bursary fund	41 893
Capacity Building	150 133
Communications	19 346
Creches	136 583
Electrification	1 317 519
Free Basic Electricity	111 776
Free Basic Water	2 500
IT Management	4 485
LED Grant	493 385
Market Stalls	20 875
Plant, Tools and Equipment	549 678
Professional fees	151 164
Public participation	9 040
Publishing	23 256
Roads	4 432 069
Security	3 646
Stores & materials	1 700
Total	7 841 559

The expenditure will be financed from:

- Government Grants

7 841 559

21. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening Balance	-
Irregular expenditure current year	
Condoned or written off by Council	1447
Irregular expenditure awaiting condonement	1 447

Interest on late payment of employee tax resulted in fruitless and wasteful expenditure.

No expenditure incurred relating to World Cup 2010

22. CONTINGENT LIABILITIES

22.1 A dispute was raised against the municipality by Bakwena Funeral undertakers with regard to cancellation of a contract in terms of converting certain structures into a mortuary to the value of R25 687 370. Court proceedings are still currently taking place. Council is contesting the claim based on legal advice.

22.2 A claim was raised against the municipality by Ms Joyce Masala Maluleke with regard to damages for drinking contaminated water from the septic tank to the value of R100 000.00. Court proceedings are currently taking place. Council is contesting the claim based on legal advice.

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

23. RELATED PARTY DISCLOSURES

23.1 List of related parties

Name of related party	Designation	Relationship
E K M Masehela	Mayor	Key Management Personnel
Councillors (as listed in general information)	Councillors	Key Management Personnel
N R Selepe	Accounting Officer	Key Management Personnel
Managers	Section 57 Manager	Key Management Personnel

23.2 Transactions during the year with key management personnel

Remuneration

Mayor	534 592	500 588
Councillors	5 906 903	5 629 294
Accounting Officer	872 300	751 316
Section 57 Managers	1 039 990	1 984 943

Details of loans and advances

The MFMA prohibits the granting of loans and advances to councillors and officials.

AGANANG LOCAL MUNICIPALITY
APPENDIX A
ANALYSIS OF PROPERTY, PLANT EQUIPMENT AS AT 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
APPENDIX A
ANALYSIS OF PROPERTY,PLANT & EQUIPMENT AS AT 30 JUNE 2010

	HISTORICAL COST						ACCUMULATED DEPRECIATION				Carrying Value R	
	Opening Balance	Additions/ Transfers	Under Construction	Fair value adjustment	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R		
INFRASTRUCTURE												
Roads, pavements, bridges & stormwater	25 652 234	-	6 731 748	-	-	32 383 982	2 449 358	1 634 372	-	4 083 729	28 300 252	
Other	25 493 034		6 731 748			32 224 782	2 407 189	1 621 336		4 028 525	28 196 257	
	159 200					159 200	42 169	13 036		55 205	103 995	
COMMUNITY ASSETS												
Buildings	13 134 760	1 094 739	-	-	-	14 229 498	965 691	526 511	-	1 492 201	12 737 297	
Cemetery	12 374 006	1 094 739				13 468 745	894 551	501 152		1 395 703	12 073 041	
Recreational facilities	473 261					473 261	57 539	15 775		73 315	399 946	
	287 493					287 493	13 600	9 583		23 183	264 310	
OTHER ASSETS												
Other motor vehicles	13 548 863	5 164 492	-	-	1 500 285	17 213 070	6 206 109	2 376 609	1 049 462	7 533 256	9 679 814	
Plant & equipment	1 013 273	579 000				1 592 273	599 101	224 811		823 911.89	768 361	
Office equipment	6 070 201	2 871 052			1 198 773	7 742 481	1 810 581	1 139 217	765 633.99	2 184 164.46	5 558 317	
Markets	2 518 936	165 789			20 609	2 664 117	1 246 126	610 268	20 609.00	1 835 784.94	828 332	
Apollo Lights	40 628	588 607				629 235		513		513	629 235	
Computer Equipment	1 480 928	374 485			280 903	374 485	1 024 911	234 268	263 219.45	995 959.45	373 972	
Computer Software	722 023	314 200				1 036 222	722 023	12 690		734 712.69	398 424	
Furniture Fittings	1 702 873	77 000				1 779 873	803 367	154 842		958 209.24	301 509	
TOTAL	52 335 856	6 259 230	6 731 748	-	1 500 285	63 826 550	9 621 157	4 537 492	1 049 462	13 109 186	-	50 717 363

AGANANG LOCAL MUNICIPALITY
APPENDIX B
SEGMENTAL ANALYSIS OF PROPERTY, PLANT EQUIPMENT AS AT 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
APPENDIX B
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	HISTORICAL COST						ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Fair value	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance		
	R	R			R	R	R	R	R	R		R
EXECUTIVE COUNCIL	20 524 028	1 042 858	-	-	(1 034 838)	20 532 048	4 836 975	1 938 718	(745 928)	6 029 765	14 502 283	
Corporate Service	19 945 657	911 800			(981 343)	19 876 115	4 474 727	1 884 509	(692 433)	5 666 803	14 209 312	
Municipal Manager Office	578 371	131 058			(53 494.90)	655 933	362 248	54 209	(53 495)	362 962	292 971	
FINANCE & ADMINISTRATION	1 334 290	247 201	-	-	(70 997)	1 510 494	1 175 348	44 677	(67 398)	1 152 627	357 867	
Finance	1 334 290	247 201			(70 997)	1 510 494	1 175 348	44 677	(67 398)	1 152 627	357 867	
PLANNING & DEVELOPMENT	30 477 538	4 969 172	6 731 748	-	(394 450)	41 784 008	3 608 835	2 554 097	(236 137)	5 926 795	35 857 213	
Planning & development	423 959	7 401			(16 015)	415 345	181 764	38 644	(15 880)	204 528	210 817	
Technical	30 053 579	4 961 771	6 731 748		(378 436)	41 368 662	3 427 071	2 515 453	(220 257)	5 722 267	35 646 396	
TOTAL	52 335 856	6 259 230	6 731 748	-	(1 500 285)	63 826 550	9 621 158	4 537 492	(1 049 462)	13 109 187	50 717 363	

AGANANG LOCAL MUNICIPALITY

APPENDIX C

DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
AGANANG LOCAL MUNICIPALITY

APPENDIX C

DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/(Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/(Deficit)
R	R	R		R	R	R
22 225 655 14 920 780 7 304 875	23 379 949 11 232 707 12 147 242	(1 154 294) 3 688 073 (4 842 367)	EXECUTIVE COUNCIL Corporate Service Municipal Manager Office	36 645 984 27 397 179 9 248 805	25 774 891 13 164 023 12 610 868	10 871 092 14 233 156 (3 362 063)
14 957 512 14 957 512	4 605 810 4 605 810	10 351 702 10 351 702	FINANCE & ADMINISTRATION Budget and Treasury	2 523 390 2 523 390	5 902 516 5 902 516	(3 379 127) (3 379 127)
29 019 936 -29 019 936	23 926 018 2 345 779 21 580 239	5 093 917 (2 345 779) 7 439 697	PLANNING & DEVELOPMENT Planning & development Technical	32 077 530 -32 077 530	26 214 301 2 204 456 24 009 845	5 863 229 (2 204 456) 8 067 685
66 203 103	51 911 778	14 291 325	Total	71 246 903	57 891 709	13 355 195

AGANANG LOCAL MUNICIPALITY
APPENDIX D(1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010
AGANANG LOCAL MUNICIPALITY
APPENDIX D(1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	6 385 268	4 039 080	-2 346 188	(58.09)	
Rental of facilities and equipment	284 538	300 036	15 498	5.17	
Interest earned – external investments	827 640	1 569 750	742 110	47.28	
Revenue for agency services	288 552	300 000	11 448	3.82	
Government grants & subsidies – operating	49 303 637	34 920 549	-14 383 088	(41.19)	
Government grants & subsidies – capital	13 832 343	39 211 877	25 379 534	64.72	
Other revenue	318 031	5 408 601	5 090 570	94.12	
Total Revenue	71 240 008	85 749 893	14 509 884	116	
EXPENDITURE					
Employee related costs	17 780 606	19 031 830	1 251 225	7.04	
Remuneration of councillors	6 441 494	6 363 354	(78 140)	(1.21)	
Bad debts	2 648.00	-	(2 648.00)		
Depreciation	4 537 492	-	(4 537 492)	(100.00)	
Repairs & maintenance	2 686 836	4 350 000	1 663 164	61.90	
General expenses	26 096 385	31 382 525	5 286 140	16.84	
Total Expenditure	57 545 461	61 127 709	3 582 248.35	(15.43)	
GAINS AND LOSSES					
Loss on sale of assets	(339 352)				
Profit on sale of assets	(346 248)				
Fair value adjustments	6 895				
NET SURPLUS/(DEFICIT) FOR THE YEAR	13 355 195	24 622 183	10 927 636		

AGANANG LOCAL MUNICIPALITY
APPENDIX D(2)
ACTUAL VERSUS (ACQUISITION OF PROPERTY , PLANTS AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

AGANANG LOCAL MUNICIPALITY
APPENDIX D(2)
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	<u>2010</u> <u>Actual</u>	<u>2010</u> <u>Under</u> <u>Construction</u>	<u>2010</u> <u>Revaluation</u>	<u>2010</u> <u>Total</u> <u>Additions</u>	<u>2010</u> <u>Budget</u>	<u>2010</u> <u>Variance</u>	<u>2010</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	R	%	
Buildings	1 094 739			1 094 739	1 484 110	(389 372)	(26)	
Infrastructure		6 731 748		6 731 748	16 900 000	(10 168 252)	(60)	
Other Assets	5 164 492	-	-	5 164 492	6 238 074	(1 073 582)	-17	
TOTAL	6 259 230	-	6 731 748	-	-	12 990 979	-	(11 631 205)